

CITY OF DUPONT
Pierce County, Washington
January 1, 1992 Through December 31, 1993

Schedule Of Findings

1. The Annual Report Should Be Accurately Prepared

Our review of the city's original 1993 and 1992 annual reports disclosed the following financial statement errors and omissions:

- a. Revenues were improperly accrued.
- b. The Local Improvement District (LID) Construction Fund and the LID Debt Service Fund were inappropriately combined.
- c. Budgets were not properly disclosed in the financial statements.
- d. Transfers between funds did not reconcile.
- e. Disclosures of fund presentation were inadequate.
- f. The city did not use the required reporting presentation for financial statements per the State Auditor's Office's *Budgeting, Accounting and Reporting System* (BARS) manual.
- g. The city's accounting records did not agree to the schedules of revenues and expenditures, nor did the schedules of revenues and expenditures agree to the financial statements. There were numerous instances where these documents did not agree and the city did not provide reconciling worksheets to explain the differences.

RCW 35.27.220 states that the town clerk:

At the end of every fiscal year . . . shall make a full and detailed statement of receipts and expenditures of the preceding year and a full statement of the financial condition of the town which shall be published.

RCW 43.09.200 authorizes the State Auditor to prescribe a system of accounting and reporting for local governments. This is done in the BARS manual provided to the city. RCW 43.09.230 requires the annual financial report to be accurate and complete.

The above errors and omissions caused the financial statements to be materially misstated. Without complete and accurate financial statements, the public may not be adequately informed as to the result of operations of the city. Also, significantly increased audit time and expense was incurred in auditing revised financial statements and caused a significant delay in the publication of the audit report.

The city did not accurately prepare and complete their financial statements due to the following:

- a. City personnel did not carefully follow the reporting standards set forth in the BARS manual.
- b. The city did not provide adequate documentation or reconciliations of revenues and expenditures recorded in the accounting records for revenues and expenditures reported in the financial statements.

We recommend the city establish procedures to ensure the financial statements are prepared accurately and completely.

2. The City Should Limit Expenditures To Appropriations

In 1993 and in 1992, the City of DuPont incurred expenditures in excess of final budget appropriations as follows:

Expenditures in 1993 for the Water Fund (401) exceeded the fund level budget.

Expenditures in 1992 for funds Unencumbered Reserve Trust (103), Community Center Trust (104), Mini-Pumper Trust (105), W/S Improvements Trust (106), and Utility Deposit (402) exceeded fund level budgets because of the closing of these funds to other funds by residual equity transfer. We requested, but the city was not able to provide us with council approved authorizations for these transfers.

These excess expenditures are contrary to RCW 35.33.121, which states:

. . . the expenditure of city or town funds or the incurring of current liabilities on behalf of the city or town shall be limited to the following:

(1) The total amount appropriated for each fund in the budget for the current fiscal year

The budget overruns occurred because city officials did not monitor the appropriations balance and then did not amend the budget, as needed, when expenditures were larger than originally budgeted. This problem was also reported in the audit report for fiscal years 1990 and 1991.

Allowing expenditures to exceed appropriations materially weakens the budget process and associated controls over public expenditures.

We recommend the city monitor expenditures of all funds and make timely budget amendments to prevent expenditures from exceeding appropriations.